

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7985**

**BILL NUMBER:** HB 1931

**DATE PREPARED:** Jan 24, 1999

**BILL AMENDED:**

**SUBJECT:** School General Fund Shortfalls.

**FISCAL ANALYST:** David Hoppmann

**PHONE NUMBER:** 232-9559

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill would provide additional state tuition support distributions to school corporations that experience a loss in school General Fund revenue of over \$50,000 due to assessed value estimates or refunds from property taxpayer appeals. It would require the school corporation to apply for a shortfall grant within one year after experiencing the loss in school General Fund revenue. It would appropriate the monies needed for shortfall grants from the State General Fund.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:**

**PROPERTY TAX REPLACEMENT AND HOMESTEAD CREDIT**

Under current law, the State pays property tax replacement credits (PTRC) in the amount of 20% on school corporation General Fund shortfall appeal levies (shortfall appeals). The State also pays homestead credit in the amount of 10% of shortfall appeals paid by homeowners through 2001, and 4% in 2002 and thereafter.

This bill would allow school corporations to apply for shortfall grants in lieu of filing shortfall appeals in amounts over \$50,000. If school corporations opt to do this, the State's expense for PTRC and homestead credit would decrease respectively (school corporations would not be allowed to apply for shortfall appeals for \$50,000 or less).

PTRC and homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the State General Fund. Any change in these expenditures would ultimately affect the State General Fund.

## SHORTFALL GRANTS

For CY 1998, approximately 13 school corporations filed shortfall appeals of over \$50,000 for a total of approximately \$4 M. For CY 1999, approximately 11 school corporations filed shortfall appeals of over \$50,000 for a total of approximately \$3.3 M.

Shortfall grants would be approved by the Department of Education (the Department) when a school corporation experiences a school General Fund shortfall due to a difference in the assessed value estimate used by the Department in calculating tuition support for a year, and the assessed value actually used in imposing the property tax for that year; or experiences a school General Fund shortfall due to a property taxpayer appeal.

The Department would distribute grants in equal amounts along with the remaining state tuition support distribution for the year that the grant is approved.

The effects of this bill would depend upon the number of school corporations that experience school General Fund shortfalls, and the number of school corporations that opt to apply for a shortfall grant; and would vary from school corporation to school corporation.

This bill appropriates the money needed to make the distributions for the grants.

## ADMINISTRATIVE TIME & COST

The State Board of Tax Commissioners could experience a decrease in administrative time and cost in administering less shortfall appeals as a result of this bill. The Department of Education (the Department) could experience a minimal increase in administrative time and cost in approving shortfall grants in accordance with this bill.

### **Explanation of State Revenues:**

### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** See Explanation of State Expenditures.

**State Agencies Affected:** Department of Education, State Board of Tax Commissioners.

**Local Agencies Affected:** School Corporations.

**Information Sources:** Debbie Hinline, Department of Education (317) 232-0840; Teresa Hemmerle, State Board of Tax Commissioners (317) 232-3773.